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**USTR BARSHEFSKY ANNOUNCES INITIATION OF
SECTION 301 INVESTIGATION OF PARAGUAY'S FAILURE TO PROTECT
INTELLECTUAL PROPERTY RIGHTS**

United States Trade Representative Charlene Barshefsky announced the initiation of a Section 301 investigation regarding Paraguay's failure to provide adequate and effective protection of intellectual property rights.

In initiating the investigation, Ambassador Barshefsky said, "We are seriously concerned by Paraguay's failure to take action against alarming levels of piracy and counterfeiting. Paraguay has also failed to enact adequate and effective intellectual property laws. We are encouraged that copyright and trademark legislation recently passed Paraguay's Chamber of Deputies, but are discouraged by the lack of progress toward passage of adequate and effective patent legislation. We look to the Government of Paraguay to take effective enforcement action, internally and at the border, toward substantially eliminating piracy and counterfeiting and to enact adequate and effective intellectual property legislation without further delay."

As required by the statute, USTR has also requested consultations with the Government of Paraguay to resolve these issues. Failure by Paraguay to address U.S. concerns prior to the close of the investigation could lead to the imposition of bilateral trade sanctions.

On January 16, Ambassador Barshefsky identified Paraguay as a ~~A~~priority foreign country under the special 301 provisions of the Trade Act of 1974 (Trade Act). In making this decision, Ambassador Barshefsky noted that the United States has persistently urged the Government of Paraguay to take effective action to crack down against piracy and counterfeiting internally and especially at its borders with Argentina and Brazil. The Government has also been urged to enact adequate and effective intellectual property legislation. Despite the efforts of some concerned Government officials, the enforcement actions taken to date have been insufficient to halt rampant production and export of pirate and counterfeit goods. Paraguay also remains a major

transshipment point for such product to the rest of the region.

On January 16, Ambassador Barshefsky also noted that a Section 301 investigation of Paraguay's practices under special 301 would be initiated within 30 days and that USTR would request consultations with the Government of Paraguay to resolve our concerns. USTR will publish a notice in the Federal Register this week inviting comments from the public on the matters under investigation.

Background on the Investigation and Consultations

Section 302(b)(2)(A) of the Trade Act requires the USTR to initiate an investigation of any act, policy or practice that was the basis of the identification of a country as a Priority Foreign Country under "special 301" (section 182(a)(2) of the Trade Act). The purpose of the investigation under section 302 is to determine whether such act, policy or practice is actionable under Section 301.

As required in section 303(a) of the Trade Act, the USTR has requested consultations with the Government of Paraguay regarding the issues under investigation. USTR will also seek public comment on these issues

Within 6 months after the date on which this investigation was initiated, (i.e., on or before August 16, 1998), the USTR must determine on the basis of the investigation and the consultations, whether any act, policy or practice described in section 301 exists. If that determination is affirmative, the USTR must decide what action, if any, to take. The deadline for making these determinations may, however, be extended to 9 months after the date of initiation of this investigation if the USTR determines that certain conditions are met.